

Advertising Activities in Innovation Economy

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Abstract: The article is devoted to the advertising activities in the innovation economy. The creation of the innovation economy will allow to increase the labor productivity, to reduce the consumption of natural resources and harmful environmental emissions, will give the possibility to build the model of partnership between the state and entrepreneurs, science and business. However, according to the author, all the innovative processes are impossible without the development of the communications of the newest format, including advertising. Its role is to support the production of knowledge and knowledge based services, their adaptation and promotion. All the functions of the commercial activities participate in the formation of the advertising activities of the enterprise. This being the case, their complex interaction is important. Besides, a fundamentally new type of the subject-object interaction between the producer and the consumer of the good emerges in the intellectual economy. With the development of modern means of communication consumers find themselves in the world where a lot of other people are ready to help them choose. Millions of users interacting with each other, with goods and information in the network, together create the environment where the search becomes more convenient and the choice becomes easier. The consumer becomes a partner in the creation of advertising. In order to attract the consumer, it's necessary to make him interested and give him a platform for action. This article gives an example of the realization of this strategy by the Red Bull Company in 2010 in the form of a promotion that was the competition for the best commercial. The article highlights the fact that the humanity has entered the era of fictitious, deliberately created needs, a significant part of which lies beyond the really useful properties of goods and services and is created for the producer to make profits. The advertising brings up a consumer. This leads to the depletion of the earth's resources. Instead of the modern commercial advertising the advertising promoting different kinds of innovations in all the areas of production, healthy living and reasonable consumption should be made. It should provide the consumer with reliable information. As in the innovation economy there is a reduction in the life cycle of goods the advertising is designed to form the consumer's loyalty to a certain brand. The author of the article considers the Internet, on demand advertising, the empirical marketing, the viral marketing to be modern and effective means of advertising. The author tries to estimate the contribution of so-called synergy effect, the essence of which is in mutual strengthening of the advertising communications influence on the consumer's perception.

Key words: Advertising · Innovations · Content · Branding · The Internet · Marketing · Commerce · Consumer · Synergy effect

INTRODUCTION

In the modern world of the first half of the XXI century one of the main problems of the humankind is the growing gap between the increasing volume of the world's population needs and, at the same time, the decreasing abilities to satisfy these needs. The concept of resolving this conflict by means of reducing the population of the Earth to the "golden billion" can be called utopian because its essence is in

killing 6 billion people. One can foresee that in the fight for survival in an attempt to implement this concept the humanity and the biggest part of the biosphere will be destroyed [1].

According to scientists, the way out of this situation is in building the innovation technology which will give an impetus to the technological mode of production allowing to repeatedly raise the labor productivity and to reduce the consumption of natural resources and harmful environmental emissions.

In the conditions of the innovation economy the model of partnership between the government and entrepreneurs, science and business comes into being. Each of the partners fulfills his functions but at the same time cannot normally exist and develop without each other.

The tasks of the business sector include scientific achievements realization, lots of goods and services, increasing their competitiveness according to the demand, timely realization of improving innovations, paying the part of the received revenue to the state, the reproduction of labor and natural resources. The state is responsible for the selection and implementation of long-term and medium-term strategy of socio-economic, innovative and technological development, for the initial support of the base innovations, for the creation of the favorable innovation and investment climate, for the effective and balanced development and innovations in the non-market sector of the economy, for ensuring the external development conditions, economic and technological security [1]. Instead of the confrontation between the government, business and science their cooperation manifesting itself in the partnership with accurate differentiation of functions and responsibilities is necessary.

In such an economic system the strategic economy oriented towards long-term socio-economic development is created.

In connection with this an absolutely new system of society relations is formed, that is based on knowledge and information, providing the development of science and innovations [2], [3]. However, it should be noted, that all the innovation processes are not possible without

the development of new forms of advertising and advertising activities. Their role in the innovation economy is in supporting the knowledge production and knowledge-based services, their adaptation and promotion.

Now it is important to define the place that advertising activities take in the structure of the commercial enterprise in the innovation economy. Professor Gunyakov Y.V. considers commercial activities to be a system of economic, trade and technological relations [5]. Advertising activity is analyzed both as economic relations, because it influences directly the formation of the consumer's attitude to the offered good and to the firm in general and as a trade and technological process i.e. the development and implementation of promotional activities. Let us analyze the content of the commerce functions aimed at the development of the advertising activities in the trade enterprise.

Figure 1 shows that all the functions of the business participate in the formation of advertising activities of the enterprise. Considering this, their complex interaction and the established relations between departments which represent each function are important. We should note that such a close coordination between the services of the enterprise can exist in a cross-functional model of the commercial activity.

We analyzed the internal environment of the enterprise from the point of view of advertising activities. However, there is also the external environment that includes consumers first of all. As the production of the innovation product is inseparable from its consumption, the knowledge of peculiarities of a particular consumer is required [6,7].

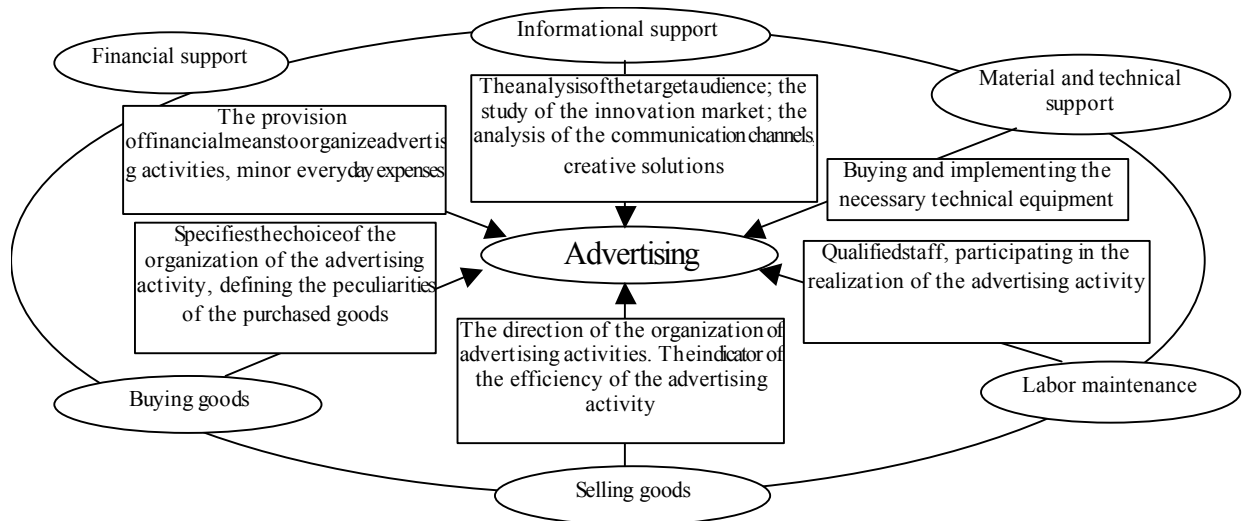


Fig. 1: The place of the advertising activity in commerce.

So, the consumer becomes a partner in the service production, providing the producer with the most important informational resource, that requires from the consumer and from the producer of the good special qualification characteristics, competencies [8], [9].

Thus, in the intellectual economy a fundamentally new type of a subject-object interaction appears [10]. According to the Candidate of Economic Sciences of Moscow State University Shilina M.G. the above-described relations between the producer of a new good and the consumer belong to the actual up-to-date horizontal heterarchical models of equal interaction.

Previously advertisers and producers could not speak about the fact that they have levers of control over the behavior of the consumer. Advertising made it possible to bring the information to potential buyers, influence them, but nobody was interested in consumer's opinion. However, when the Internet, Web 2.0 and Web 3.0 platforms appeared users got the environment in which they could participate, a new world opened where consumers had their voice. Users become participants of the content creation process and of its development, have the possibility to be the judge, the interlocutor, the co-author.

As a result of this consumers find themselves in the world where a lot of other people are ready to help them with their choice [11]. Orienting towards the comments and opinions left by the same consumers the consumer will be able to choose the good from several analogues easier. Eventually, if the good is purchased the user after having tested it, will be able to write a review for the product and give his evaluation which can be useful to other consumers [12]. Thus, millions of users, interacting with each other and also with goods and information in the network, together create the environment where the search becomes more convenient and the choice becomes simpler.

Thus, this type of communication enables the formation of a new strategic idea for advertisers: advertising created in partnership with the consumer. A lot of modern consumers, especially the younger generation, have the necessary creative potential, technical knowledge and, most importantly, lots of ideas to create attractive advertising. Even the most professional advertising agents can unlikely compete in the generation of new ideas with thousands of blog and social networks users. All the advertiser needs to make consumers enter the game is to make them interested (in this case the advertising will be useful) and give them the

platform for their activities, giving them the possibility to create content easily and conveniently as well as to rate and comment the works of others entering the discussion.

This strategy has already been realized by the "Red Bull" company in 2010 as an advertising promotion that was a competition for the best commercial. At the beginning the consumer registers in the company's site and chooses the form of self-expression convenient to him (a storyboard, a text, a video or audio, a sketch), then uploads his idea how the new commercial of "Red Bull" should look. However, the decision to create the commercial is made by the professional jury of advertisers and the final decision is made by the main office of the "Red Bull" company in Austria. The question arises - how the comments and the opinions of consumers influence it. Still this promotion is a vivid example of how the consumer, even partially, is trusted to create advertising for the company.

After we have analyzed the new strategy of the partnership between the consumer and the producer the question arises: is advertising necessary as the means of informing? The modern consumer is "a person of communication", i.e. able to find the necessary information about the good or the service, for example, in the Internet and not to rely on obtrusive advertising, giving obviously subjective opinion about the product. From this the problem of the content of advertisements in the market economy arises. Thus, at present advertising texts are required to artificially generate in the person the desire to purchase this or that product and also a problem which has been unknown to the consumer before but which can be solved only with the help of the advertised product. Of course, it creates a negative attitude towards such advertising in consumers.

Revealing this issue let us turn to the works of Doctor of economic sciences Antipov K.V. According to his opinion the currently existing market-capitalist system dictates the philosophy of reckless profit growth, the main source of which is the increase in consumption. Due to the scientific and technical progress and consequently due to the growth in productive forces great opportunities to meet the needs appeared. However, there were not enough real needs that are why new virtual needs appeared. The humankind entered the era of fictitious and deliberately created needs, considerable part of which lies beyond the borders of real production or real useful properties of goods and services [13]. Besides, advertising implements the idea of special importance and

attractiveness of such products into the consciousness of potential buyers. Thus, advertising in modern society brings up the consumer, for whom consumption becomes the meaning and the condition of life. Unfortunately, it leads to the development of “unhealthy” tendencies not only in production and consumption but in the way people live, in their attitude to different areas of life: education, spiritual and physical health of the person. The contradiction is expressed in the fact that abundance leads to satiation but does not allow to think about the important things in life, create or develop.

Besides, the uncontrollable growth of consumption leads to the depletion of the Earth’s resources. The necessity arises to change people’s minds, to shift from the market destructive consumption to the “ecological” preserving consumption. It is possible only in transition to the innovation economy, to the knowledge economy. In such an economy the advertising complex gets the new task – to form the ideology of saving and accumulation i.e. the preservation of physical and mental health, increasing intellectual potential, the protection of the resources of the planet. Instead of the modern commercial advertising the main purpose of which is in every possible way to stimulate the person to purchase goods, the advertising promoting different innovations in all areas of production and consumption, the healthy way of living should be created. The new type of advertising should provide the buyers with necessary and reliable information about the product or service, the unwarranted statements in advertisements being reduced to minimum. To keep competitive positions producers need to improve the quality of goods, their properties; their intangible value gets also important.

It should be noted that in the innovation economy there is the decrease in the product life cycles due to the constant improvement of technologies that leads to the emergence of new commodities. In such conditions the concept of branding becomes relevant [14,15]. The basis of branding creation is competent, competitive advertising strategy, i.e. a well thought-out strategy designed to avoid the possibility of failure. In this case advertising is required to form and maintain a strong commitment to the brand (and not to just a product) by means of the formation of the desired position in the minds of potential customers.

Having considered the objective, the forms, the content of advertising activities in the innovation economy, it is necessary to study some of the progressive means of advertising.

The Internet. Today the Internet is the fastest growing media because it allows:

- To reach more consumers than other media;
- To perform more functions than other media;
- To unite more people than other media;
- To provide a more efficient search than other media;
- To satisfy consumers with a variety of interests;
- To develop different forms of advertising;
- To study consumers better than with the help of other media;
- To sell more;

The Internet is a neutral set of trade proposals that consumers can accept or reject. It is possible to say that the Internet has inner objectivity. Besides, the advertising in the Internet is considered interactive because the web allows working in a dialogue mode and makes a qualitative change in the interaction between the seller and the buyer, i.e. it allows to involve the consumer in the process.

One of the advantageous possibilities of the web is the possibility to attract the attention of a potential consumer, for example by a pop-up advertising message and then to expect the consumer’s initiative. Thus, a click of the mouse can mean that the consumer agrees to enlarge the picture to the entire screen or to visit the advertiser’s site by clicking a possible link. It happens as if the consumer allows to be shown advertisements. This type of communication is called the permissive marketing aimed at mutual interest; each contact with the consumer is of a serious nature. By this the permissive marketing differs from the means of communication activity according to the principle “Push!”

The Internet, as it is, can be considered a new format of advertising. After all, the web allows to use a lot of different new approaches, formats and even models of business, allowing to build relationships with consumers, having ample opportunities [16].

Advertising on demand. People do not want their attention to be distracted by irrelevant content. In the environment controlled by consumers obtrusive, noisy advertising loses its former effectiveness and is unlikely to find it again. The only brands that can survive will be those the creators of which will rely on the persuasion of consumers. They will have to analyze everything carefully, adjust advertising messages to specific consumers and carefully select the channels for the transmission of their messages paying special attention to the time factor [16]. Advertisers will use the new type of advertising – on-demand advertising.

Advertising on demand gives the consumers the possibility to choose the advertising according to their interests or hobbies, such as art or tourism, or the advertising of specific products, in purchasing which they are interested. This type of advertising can be started and controlled by many digital devices: TV, wireless devices, the Internet. This approach to advertising contributes to the increase in the quality of commercials and enriches their content.

Let us see how it works. The content (in our case it is advertising) will be archived in a digital format and will be extracted using different filters, techniques and search tools when it is convenient to the user. The American advertiser Joseph Jaffe sees the possibility of the development of on demand advertising, in case of key participation of such companies as Google, which will expand the possibilities of users in the area of search (TiVo, DirecTV, satellite); the DoubleClick company can take over the function of storage, maintenance and delivery of commercials; the Microsoft corporation will develop the device that will allow to manage all other devices (such as an existing WindowsMediaCentre).

Empirical marketing. This type of marketing is an alternative to traditional marketing and is based on the involvement and the impact on the consumer without high technologies and the Internet. Instead of using advertising messages empirical marketing gives a possibility to experience, feel any emotions, connected with the product, i.e. get any tangible stable experience. The potential consumer gets interested in the past experiences, the attention is attracted to the company's production and it makes the consumer try the produced goods or services.

There are five strategic empirical modules that form the basis of the empirical marketing:

- Feelings;
- Actions;
- Correlation;
- Reflection;
- Senses;

In the innovation economy such an instrument of communication as the empirical marketing becomes relevant in connection with the emergence of new technologies, goods that require promotion with the help of new improved methods, allowing to understand the benefits of the new item.

Viral marketing or marketing communities. Currently, the negative attitude to the traditional advertising on TV, outdoors, on the radio is formed in consumers. Such

advertising most often imposes subjective information about the product, indicating only the best qualities of the product, sometimes not very reliable. As a result of it people do not trust such advertising. The main difference of the viral marketing is in the fact that the person who gets the informational message must be sure that it comes from a disinterested person, such as a relative or an acquaintance, but by no means from a representative of an advertising company. For example, the consumer will eagerly listen to "a real person's" positive comments about the product and is likely to buy this product. And on the contrary, having seen the commercial of this product the consumer will ignore it because there is an opinion that advertising brightens up the qualities of the product [17].

However, to implement the viral marketing in the Internet one should think over the advertising strategy well. It is necessary either to have a product that will be so attractive and unusual that once the picture of it is published bloggers and users of social networks will get interested and will begin to send it to their friends and colleagues or to make up an idea of promoting the product that will "hook" consumers, excite them or stir other emotions. The viral marketing can be funny, touching, patriotic and even lyrical.

We should also note that for the effective viral marketing it is important to choose the target audience correctly – people who are not just interested in the product but know about it more than advertisers themselves. They can be called experts in this product; their opinions, behavior and the way of living are authoritative for the target group.

The new approach of "using recommendations" is a powerful advertising tool. Positive reviews of the clients that know the product more than professional sellers, are spread exponentially that creates a positive attitude of a bigger amount of potential buyers. This strategy goes beyond the indicators of sales growth in the short term; it aims at the formation of the long-term customer relations and is, therefore, priceless.

So, we have analyzed only a part of the modern and most perspective tools of advertising and marketing. The knowledge and innovation economy is characterized by its progressive nature that is why it is difficult to be limited to the particular means of advertising. Apart from the fact that at present the advertising communications studied by us are at their peak of development, with the emergence of the newest technologies, undoubtedly even more unexpected communicative means of interaction with consumers will be created. But it is necessary to remember that none of the new forms of advertising is effective if

the foundation of the advertising means is not an interesting idea revealing the essence of the brand.

Summing it up, it is necessary to say that the time, when the traditional advertising influenced consumers, has passed. Mass advertising was needed to sell consumer goods and it emerged during the industrial revolution when the production was aimed at the scale effect. And, consequently, the efficiency of mass communications was explained by the possibility to simultaneously send one and the same advertising message to all consumers.

In the innovation economy the informational revolution follows the industrial. Consumers have a virtually access to any information; they got control over the elements of 4Ps: product, price, promotion and place. Consumers compare, evaluate, analyze the work of the companies and give their opinion on every issue. In such conditions there is a new marketing with a fundamentally different approach to the consumer – the consumer-partner. Anew advertising is required to establish communications with the interested target client, find an approach to every person individually and consider every point of view. From it new functions of advertising arise:

- Providing consumers with new opportunities.
- The demonstration of the product.
- The involvement of the consumer.

So, for the success of the advertising campaign in conditions of the innovation economy it is important not only to use different modern advertising tools targeted at different audiences, supporting the general idea of the brand but also to observe the fulfillment of all the functions listed above. It is due to the coordinated efforts that so-called synergy effect happens, the essence of which is in mutual strengthening the advertising communications influence in the perception of consumers. The innovation economy brings lots of possibilities and alternatives to the traditional advertising for the realization of the synergetic brand potential by means of restoration, preservation and strengthening customer relationships.

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